

**REPORT OF THE AUDIT OF THE
FLOYD COUNTY
CLERK**

**For The Year Ended
December 31, 2001**



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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Paul Hunt Thompson, Floyd County Judge/Executive
Honorable Chris Waugh, Floyd County Clerk
Members of the Floyd County Fiscal Court

The enclosed report prepared by Berger & Ross, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the County Clerk of Floyd County, Kentucky, for the year ended December 31, 2001.

We engaged Berger & Ross, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Berger & Ross, PLLC evaluated the Floyd County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure



**AUDIT EXAMINATION OF THE
FLOYD COUNTY CLERK**

Calendar Year 2001

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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE FLOYD COUNTY CLERK

Calendar Year 2001

Berger & Ross, PLLC has completed the Floyd County Clerk's audit for calendar year 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

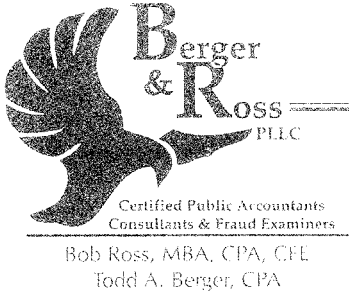
Excess fees increased by \$115 from the prior calendar year, resulting in excess fees of \$50,346 as of December 31, 2001. Revenues increased by \$617,405 from the prior year and disbursements increased by \$616,386.

Deposits:

The Clerk's deposits were insured and collateralized by bank securities or bonds and were covered by a written agreement.

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Kentucky Association of CPAs
National Association of Accountants
National Association of Tax Professionals
Government Finance Officers Association

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Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Floyd County Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2001, in conformity with the basis of accounting described above.

To the People of Kentucky

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In accordance with Government Auditing Standards, we have also issued our report dated September 12, 2002, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed -
September 12, 2002

FLOYD COUNTY
CHRIS WAUGH, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2001

Receipts

State Fees For Services	\$	18,864
Fiscal Court:		
Supplement		4,186
Licenses and Taxes:		
Motor Vehicles-		
Licenses and Transfers	\$ 999,677	
Usage Taxes	3,427,348	
Tangible Personal Property Tax	2,615,668	
Title Applications	890	
Licenses, Taxes, and Fees-		
Calculation of Tax Bills	6,306	
Fish and Game	13,402	
Property Bonds	1,470	
Marriage	15,236	
Occupational	825	
Beer and Liquor	10,600	
Deed Transfer Tax	30,401	
Delinquent Tax	<u>1,057,616</u>	8,179,439
Fees Collected For Services:		
Recordings-		
Fixture Filings	\$ 860	
Releases- Mortgages	15,140	
Deeds, Easements, and Contracts	23,651	
Real Estate Mortgages	49,175	
Chattel Mortgages and Financing Statements	117,865	
Powers of Attorney	1,640	
Mechanics Liens	5,294	
Notary Bonds	3,424	
All Other Recordings	16,993	
Charges for Other Services-		
Copywork	<u>5,070</u>	239,112
Other:		
Postage	\$ 1,488	
Miscellaneous	210	
Refunds	12,412	
Child Assistance Fund	54	
Overage	<u>5,391</u>	<u>19,555</u>
Receipts (Carried Forward)	\$	8,461,156

The accompanying notes are an integral part of the financial statements.

FLOYD COUNTY
CHRIS WAUGH, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 2001
(Continued)

Receipts (Brought Forward)		\$ 8,461,156
Interest Earned		<u>10,387</u>
Gross Receipts		<u>\$ 8,471,543</u>
<u>Disbursements</u>		
Payments to State:		
Motor Vehicle-		
License and Transfer	\$ 759,519	
Usage Tax	3,325,399	
Tangible Personal Property Tax	884,955	
Licenses, Taxes, and Fees-		
Fish and Game	12,307	
Delinquent Tax	74,854	
Legal Process Tax	<u>16,616</u>	\$ 5,073,650
Payments to Fiscal Court:		
Tangible Personal Property Tax	\$ 337,220	
Delinquent Tax	136,716	
Deed Transfer Tax	29,305	
Occupational Licenses	775	
Beer and Liquor Licenses	9,928	
Notary Commission	20	
Fire Acreage Tax	1,872	
Advertising	<u>351</u>	516,187
Payments to Other Districts:		
Tangible Personal Property Tax	\$ 1,280,652	
Delinquent Tax	<u>596,474</u>	1,877,126
Payments to Sheriff		12,010
Payment to County Attorney		155,042
Operating Disbursements and Capital Outlay:		
Personnel Services-		
Deputies Salaries		<u>510,695</u>
Disbursements (Carried Forward)		\$ 8,144,709

The accompanying notes are an integral part of the financial statements.

FLOYD COUNTY
CHRIS WAUGH, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 2001
(Continued)

Disbursements (Brought Forward)		\$ 8,144,709
Employee Benefits-		
Employer's Share Social Security	\$ 42,186	
Employer's Paid Life Insurance	2,455	
Other Payroll Disbursements	2,950	
Materials and Supplies-		
Office Supplies	28,960	
Other Charges-		
Conventions and Travel	3,961	
Postage	9,668	
Office Remodeling and Repair	1,740	
Office Utilities	12,391	
Office Cleaning	8,125	
Errors and Omission Bond	218	
Dues	1,450	
Rental Fees	8,525	
Maintenance Agreement	1,430	
Tax Bill Preparation	6,806	
Audit Fees	6,300	
Election Expense	2,331	
Refunds	10,518	
Refunds- Overpayments	14,513	
Miscellaneous	1,009	
Capital Outlay-		
Office Equipment	<u>7,771</u>	173,307
Debt Service:		
Lease Purchases		<u>30,247</u>
Total Disbursements		<u>\$ 8,348,263</u>
Net Receipts		\$ 123,280
Less: Statutory Maximum		<u>67,874</u>
Excess Fees		\$ 55,406
Less: Expense Allowance	\$ 3,600	
Less: Training Incentives	<u>1,460</u>	<u>5,060</u>
Excess Fees Due County for Calendar Year 2001		\$ 50,346
Less: Payment to County Treasurer - March 15, 2002		<u>50,346</u>
Balance Due at Completion of Audit		<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months and 6.41 percent for the last six months of the calendar year.

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2001
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

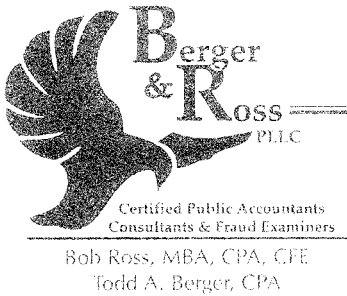
The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

Note 4. Lease

The office of the County Clerk is committed to a lease agreement with Software Management, Inc. for computer equipment. The agreement requires a monthly payment of \$1,281 for 60 months to be completed on April 16, 2005. The total balance of the agreement is \$52,521 as of December 31, 2001.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Association of Government Auditors
Floyd County Association of CPAs
Kentucky Association of CPAs
National Association of CPAs
Government Auditing Standards Association

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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Floyd County Clerk for the year ended December 31, 2001, and have issued our report thereon dated September 12, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Floyd County Clerk's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Floyd County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed -
September 12, 2002

